

(e) Treatment accorded affiliates and other concerns having close working arrangements with the contractor;

(f) Policies and procedures pertaining to small business concerns, including small disadvantaged, women-owned, veteran-owned, HUBZone, and service-disabled veteran-owned small business concerns;

(g) Planning, award, and postaward management of major subcontract programs;

(h) Compliance with Cost Accounting Standards in awarding subcontracts;

(i) Appropriateness of types of contracts used (see 16.103); and

(j) Management control systems, including internal audit procedures, to administer progress payments to subcontractors.

[48 FR 42388, Sept. 19, 1983, as amended at 52 FR 9039, Mar. 20, 1987; 54 FR 19827, May 8, 1989; 60 FR 33066, June 26, 1995; 60 FR 48264, Sept. 18, 1995; 62 FR 12719, Mar. 17, 1997; 63 FR 70288, Dec. 18, 1998; 69 FR 76349, Dec. 20, 2004; 70 FR 14955, Mar. 23, 2005; 75 FR 34278, June 16, 2010; 75 FR 53150, Aug. 30, 2010; 78 FR 37680, June 21, 2013]

#### 44.304 Surveillance.

(a) The ACO shall maintain a sufficient level of surveillance to ensure that the contractor is effectively managing its purchasing program.

(b) Surveillance shall be accomplished in accordance with a plan developed by the ACO with the assistance of subcontracting, audit, pricing, technical, or other specialists as necessary. The plan should cover pertinent phases of a contractor's purchasing system (preaward, postaward, performance, and contract completion) and pertinent operations that affect the contractor's purchasing and subcontracting. The plan should also provide for reviewing the effectiveness of the contractor's corrective actions taken as a result of previous Government recommendations. Duplicative reviews of the same areas by CPSR and other surveillance monitors should be avoided.

[48 FR 42388, Sept. 19, 1983, as amended at 59 FR 67054, Dec. 28, 1994; 62 FR 12719, Mar. 17, 1997]

#### 44.305 Granting, withholding, or withdrawing approval.

##### 44.305–1 Responsibilities.

The cognizant ACO is responsible for granting, withholding, or withdrawing approval of a contractor's purchasing system. The ACO shall—

(a) Approve a purchasing system only after determining that the contractor's purchasing policies and practices are efficient and provide adequate protection of the Government's interests; and

(b) Promptly notify the contractor in writing of the granting, withholding, or withdrawal of approval.

[62 FR 12719, Mar. 17, 1997]

##### 44.305–2 Notification.

(a) The notification granting system approval shall include—

(1) Identification of the plant or plants covered by the approval;

(2) The effective date of approval; and

(3) A statement that system approval—

(i) Applies to all Federal Government contracts at that plant to the extent that cross-servicing arrangements exist;

(ii) Waives the contractual requirement for advance notification in fixed-price contracts, but not for cost-reimbursement contracts;

(iii) Waives the contractual requirement for consent to subcontracts in fixed-price contracts and for specified subcontracts in cost-reimbursement contracts but not for those subcontracts, if any, selected for special surveillance and identified in the contract Schedule; and

(iv) May be withdrawn at any time at the ACO's discretion.

(b) In exceptional circumstances, consent to certain subcontracts or classes of subcontracts may be required even though the contractor's purchasing system has been approved. The system approval notification shall identify the class or classes of subcontracts requiring consent. Reasons for selecting the subcontracts include the fact that a CPSR or continuing surveillance has revealed sufficient weaknesses in a particular area of subcontracting to warrant special attention by the ACO.